

NOTE 13 – BONDS AND NOTES PAYABLE – DISCRETELY PRESENTED COMPONENT UNITS

A. Bonds and Notes Payable

Bonds Payable

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State.

The State universities and the Michigan State Housing Development Authority utilize June 30 fiscal year-ends. The

remaining discretely presented component units have September 30 fiscal year-ends.

The following table summarizes debt service requirements of the discretely presented component units as reported in their separately issued financial statements, utilizing their respective fiscal year-end (in millions):

<u>Fiscal Years Ending In</u>	<u>Principal</u>	<u>Fixed Interest</u>	<u>Estimated Interest</u>	<u>Total</u>
2006	\$ 382.7	\$ 341.1	\$ 5.4	\$ 729.1
2007	274.6	331.2	5.3	611.0
2008	298.4	319.9	5.1	623.4
2009	315.3	295.3	4.9	615.5
2010	360.6	281.8	4.7	647.1
	<u>1,631.6</u>	<u>1,569.2</u>	<u>25.4</u>	<u>3,226.1</u>
2011-2015	1,494.8	1,192.0	20.4	2,707.2
2016-2020	1,487.0	849.7	14.2	2,350.9
2021-2025	893.0	521.5	8.9	1,423.3
2026-2030	640.5	353.4	4.2	998.0
2031-2035	478.0	235.0	.3	713.4
2036-2040	1,420.6	121.8	-	1,542.4
	<u>6,413.9</u>	<u>3,273.3</u>	<u>47.9</u>	<u>9,735.2</u>
Total	<u>8,045.6</u>	<u>\$ 4,842.5</u>	<u>\$ 73.3</u>	<u>\$ 12,961.4</u>
Deferred amount on refunding	(86.2)			
Unamortized discount	(.1)			
Unamortized premium	158.1			
Total principal	<u>\$ 8,117.4</u>			

Included in the table above is \$576.0 million of demand bonds comprised of the Michigan Higher Education Student Loan Authority, \$56.4 million, and the Michigan State Housing Development Authority, \$519.6 million. Defeased bonds outstanding of the Michigan Municipal Bond Authority, Michigan Higher Education Student Loan Authority, and Michigan State Housing Development Authority are not reflected in the table above.

Notes Payable

The Michigan Municipal Bond Authority has short-term notes outstanding of \$832.6 million as of September 30, 2005.

The Land Bank Fast Track Authority has long-term notes outstanding of \$.2 million as of September 30, 2005. Grand Valley State University has short-term notes outstanding of \$.2 million and long-term notes outstanding of \$.4 million as of June 30, 2005.

outstanding of \$400.7 million. Of the above amount, \$6.8 million of bonds have been defeased in substance, leaving a remaining undefeased balance of \$393.8 million.

The Michigan Strategic Fund (MSF) issues industrial development revenue bonds which are not recorded as liabilities. The total amount issued for the period January 1, 1979 through September 30, 2005, was \$7.0 billion. MSF also issues taxable bonds which are not recorded as liabilities. The amount issued in fiscal year 2004-2005 was \$9.7 million. These borrowings are in substance, debts of other entities and financial transactions are handled by outside trustees.

The Michigan State Hospital Finance Authority (MSHFA) has issued \$5.7 billion of no commitment bonds as of September 30, 2005. Of the above amount, \$1.3 billion have been defeased in substance, leaving a remaining undefeased balance of \$4.4 billion. Economic gains and accounting gains and losses, resulting from in-substance defeasance inure to the benefit of the facility for which the bonds were issued, and accordingly are not reflected in the Authority's financial statements.

The Michigan State Housing Development Authority (MSHDA) has been authorized to issue up to \$800.0 million of limited obligation bonds to finance multi-family housing projects. At June 30, 2005, limited obligation bonds had been issued totaling \$659.2 million, of which fourteen issues totaling \$131.0 million had been retired.

MSHDA entered into several interest rate exchange agreements for a total of \$481.2 million as of June 30, 2005, representing several bond series. In accordance with the

B. Unrecorded Limited Obligation Debt

Certain State financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. The State has no obligation for this debt. Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to private nonprofit institutions of higher education for capital improvements. As of September 30, 2005, MHEFA had bonds

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exchange agreements, MSHDA pays fixed rates ranging from 3.5% to 7.7%.

The Michigan Public Educational Facilities Authority (MPEFA) issues limited obligation bonds to finance loans to qualified

public educational facilities for capital improvements. As of September 30, 2005, MPEFA had bonds outstanding of \$6.2 million.

C. Short-Term Debt Activity

Western Michigan University used its revolving line of credit to finance a new student information system. Activity on the line of

credit during Western Michigan University's fiscal year ended June 30, 2005, was as follows (in millions):

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Payments</u>	<u>Ending Balance</u>
Line of Credit	\$ 6.9	\$ 6.8	\$ 4.6	\$ 9.1
